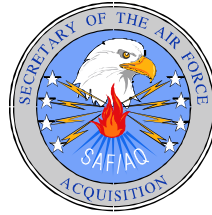




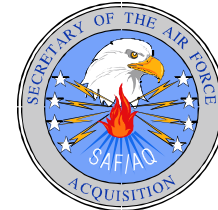
“PILOT PROGRAM”

Why TSPR is Feasible



- **Small Fleet of 52 operational aircraft**
- **Single operational Wing at Holloman AFB**
- **LMSW is F-117 “in-place” support expert**
- **Aircraft Depot and Combined Test Force collocated with LMSW at Palmdale**
- **BRAC decision forcing SPO relocation**

***Opportunity for a “Pilot Program” to
Reduce Total Ownership Cost through acquisition reform***



F-117 R-TOC THROUGH INNOVATIVE CONTRACTING

OBJECTIVES

- Retain only core Gov't work
- Transition all non-core Gov't work to LMSW
- Reduce SPO size
- Simplify contract structure
- Long-term contractual

arrangement

• Design for F-117

METRICS

environment

- Utilize existing SPO/warfighter metrics where LMSW has direct impact to drive Incentive Fee
- Warfighter stakeholding
- Ensure performance before 50/50 sharing
- Performance as good or better than current levels

INCENTIVE STRUCTURE

- Focus on Performance/Cost Re
- CPIF w/Award Fee feature
 - 3% Award Fee
 - 7% Incentive Fee
 - 50/50 sharing over/under r

EXPECTED RESULTS

- 8-yr TSPR Strategy
- LMSW commitment to \$80M savings over 8 years for stabilized funding
- Potential for additional savings through 50/50 sharing
- 20% reduction in SPO i



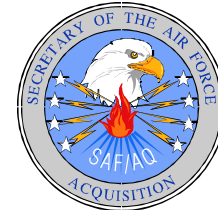
Core Government Functions



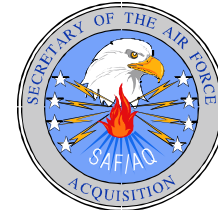
- **Program Direction**
- **Requirements Determination**
- **Budgeting/Financial Execution**
- **Contract Management**
- **Product/Service Acceptance**
- **Security**



LMSW EXPANDED ROLES



- **Modification, Integration, and Sustainment**
 - **Systems engineering**
 - **Subcontractor management**
 - **System/subsystem integration**
 - **Configuration control**
 - **Materiel management**
 - **Direct field support to 49FW**
 - **Air Force reporting requirements support**



CONTRACT MANAGEMENT

Incentive Fee Metrics

Performance Incentive Matrix

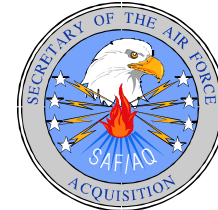
(7% Pool)

	METRIC AVAILABLE	NMCS NON-NSN ITEMS (%)	MICAP DELIVERY (HRS)	RSP KITS XD (%)	DEPOT DELIVERY (DAYS LATE)	DEPOT AIRCRAFT QUALITY (# DISC)	DELINQUENT DRS (#)	WST (%)
	WEIGHT	25	15	15	15	15	10	5
SCORE	10	5.0 - below	72	96%	0 - 0.9	20	1 or Less	99.0%
	9	5.1 - 5.5	73 - 84	95%		21 - 25	2	98.5%
	8	5.6 - 5.0	85 - 86	94%	1.0 - 1.9	26 - 30	3	98.0%
	7	6.1 - 6.5	97 - 108	93%		31 - 35	4	97.5%
	6	6.6 - 7.0	109 - 120	92%	2.0 - 2.9	36 - 40	5	97.0%
	5	7.1 - 7.5	121 - 132	91%		41 - 45	6	96.5%
	4	7.6 - 8.0	133 - 144	90%	3.0 - 3.9	46 - 50	7	96.0%
	3	8.1 - 8.5	145 - 156	89%		51 - 55	8	95.5%
	2	8.6 - 9.0	157 - 168	88%	4.0 - 4.9	56 - 60	9	95.0%
	1	9.1 - 9.5	169 - 180	87%		61 - 65	10	94.5%
	0	9.6 & Up	181 & Up	86%	5.0 or More	65 & Up	11 & Up	94.0%

Incentive Fee based on 12 month rolling average scores



F-117 R-TOC THROUGH INNOVATIVE CONTRACTING



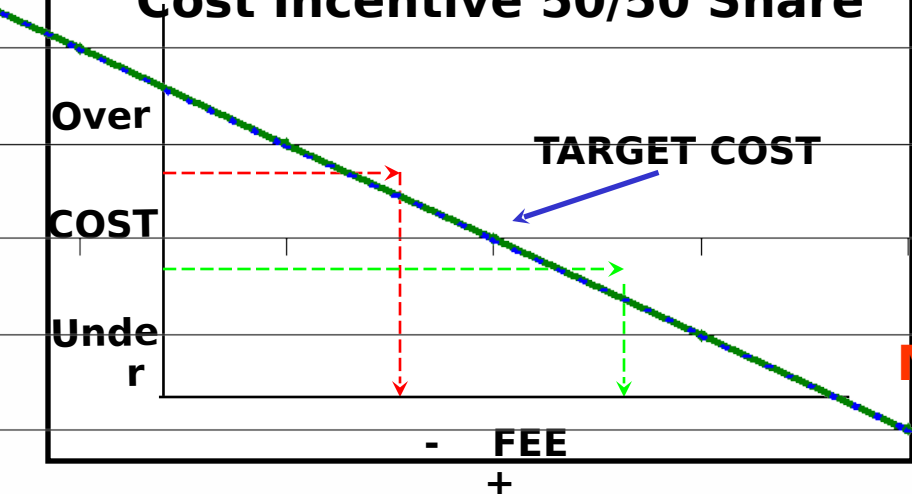
Contractor Incentives

3% Award Fee

Subjective Warfighter/SPO eval

- Management Responsiveness
- Technical Performance
- Competitive Subcontracting
- Customer Support

Cost Incentive 50/50 Share

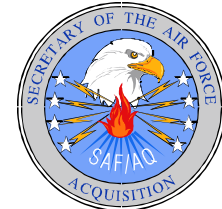


7% Incentive Fee

Based on performance against
F-117 readiness metrics

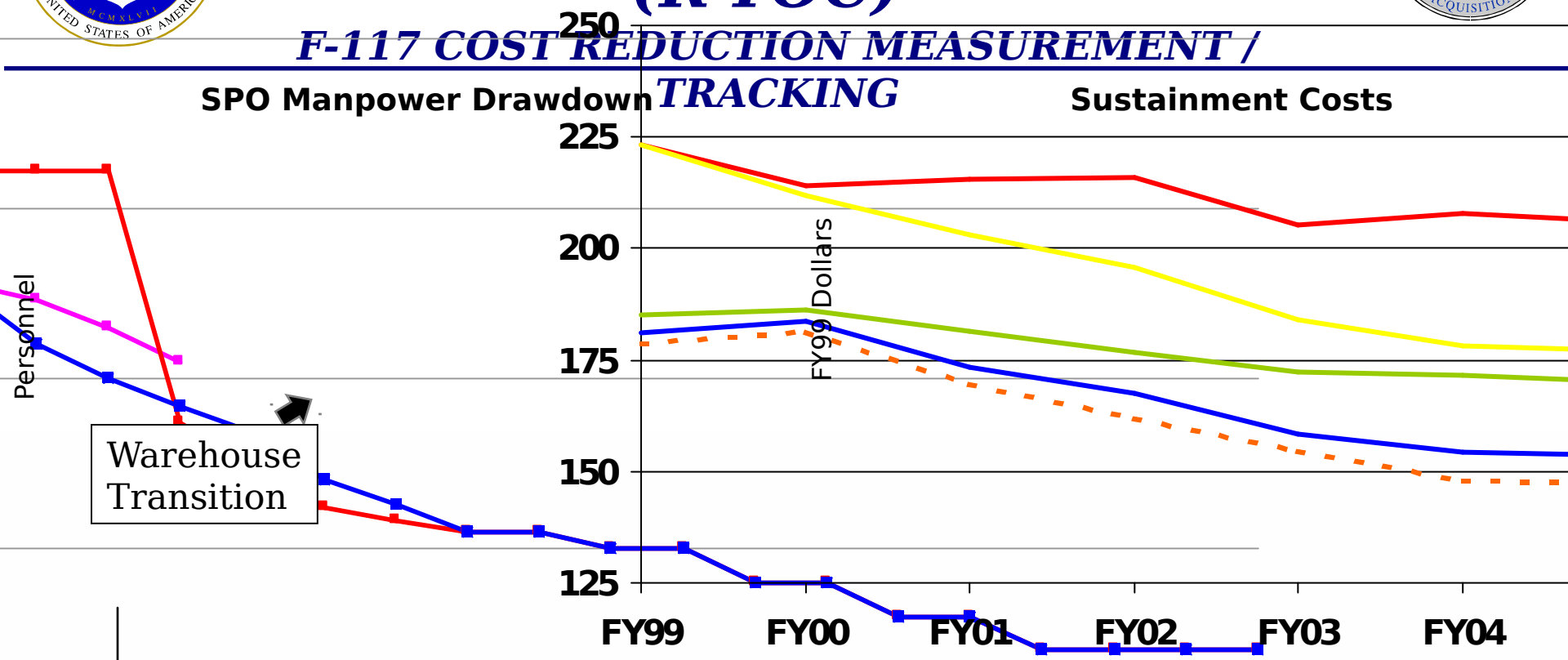
Category	NMCS	MICAP	RSP Kits	Depot De	Depot QA	DRs	WST Avail
Weight	25	15	15	15	15	10	5
Score							

Minimum performance scores must be achieved to share any cost savings



APPROXIMATE TOTAL OWNERSHIP COST PROGRAM (R-TOC)

F-117 COST REDUCTION MEASUREMENT / TRACKING



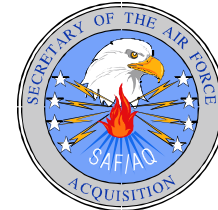
Warehouse Transition

SEMI-ANNUAL REPORTING VIA PEO PORTFOLIO REVIEW

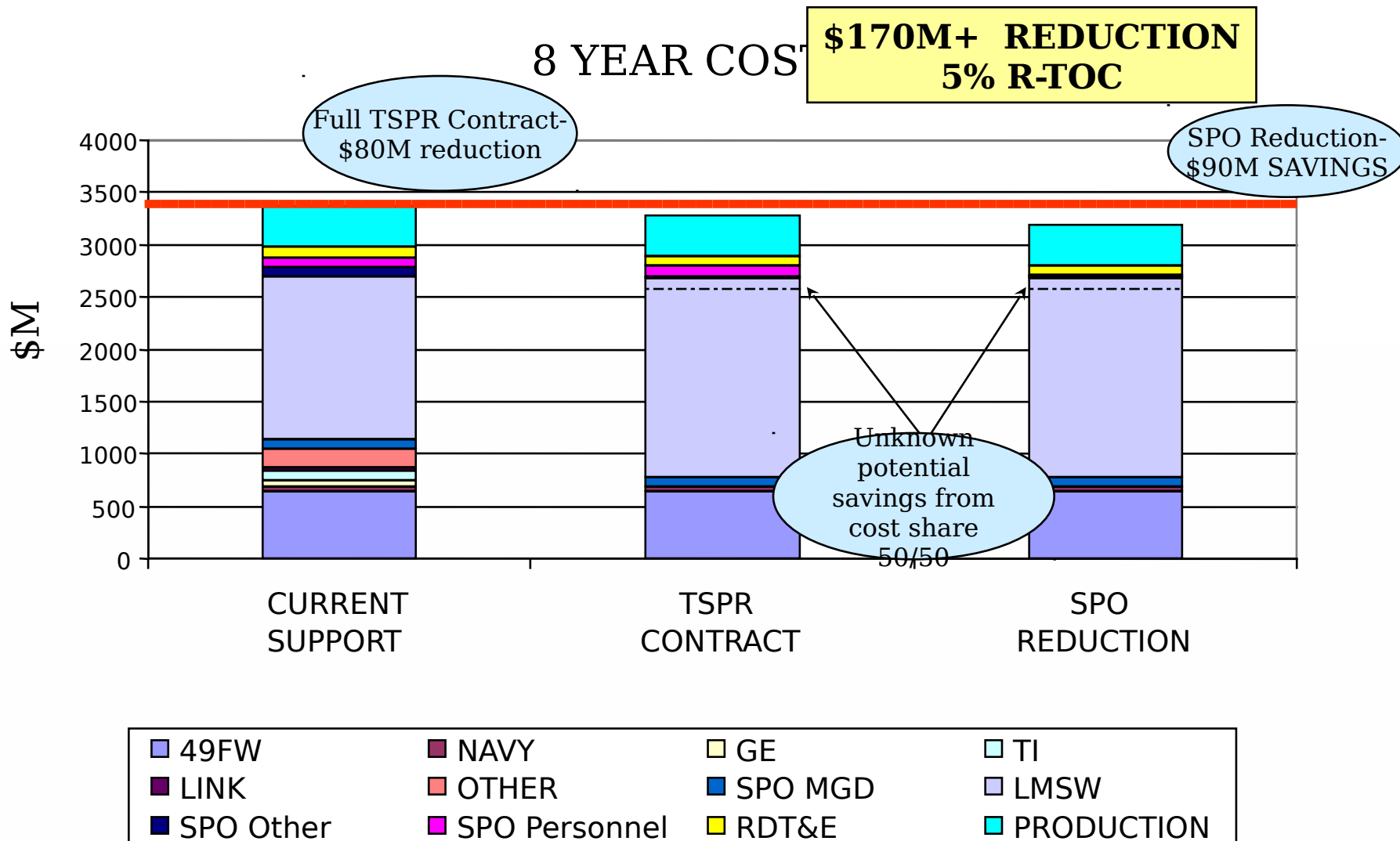
Assigned (actual)
Required (assumes TSPR)

MONITORED BY PEO AND SAF/AQ

\$80M TSPR savings + \$90M SPO personnel savings = \$170M O&A savings

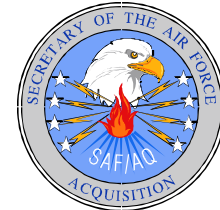


F-117 REDUCTION STRATEGY





BENEFITS OF STABILIZED FUNDING

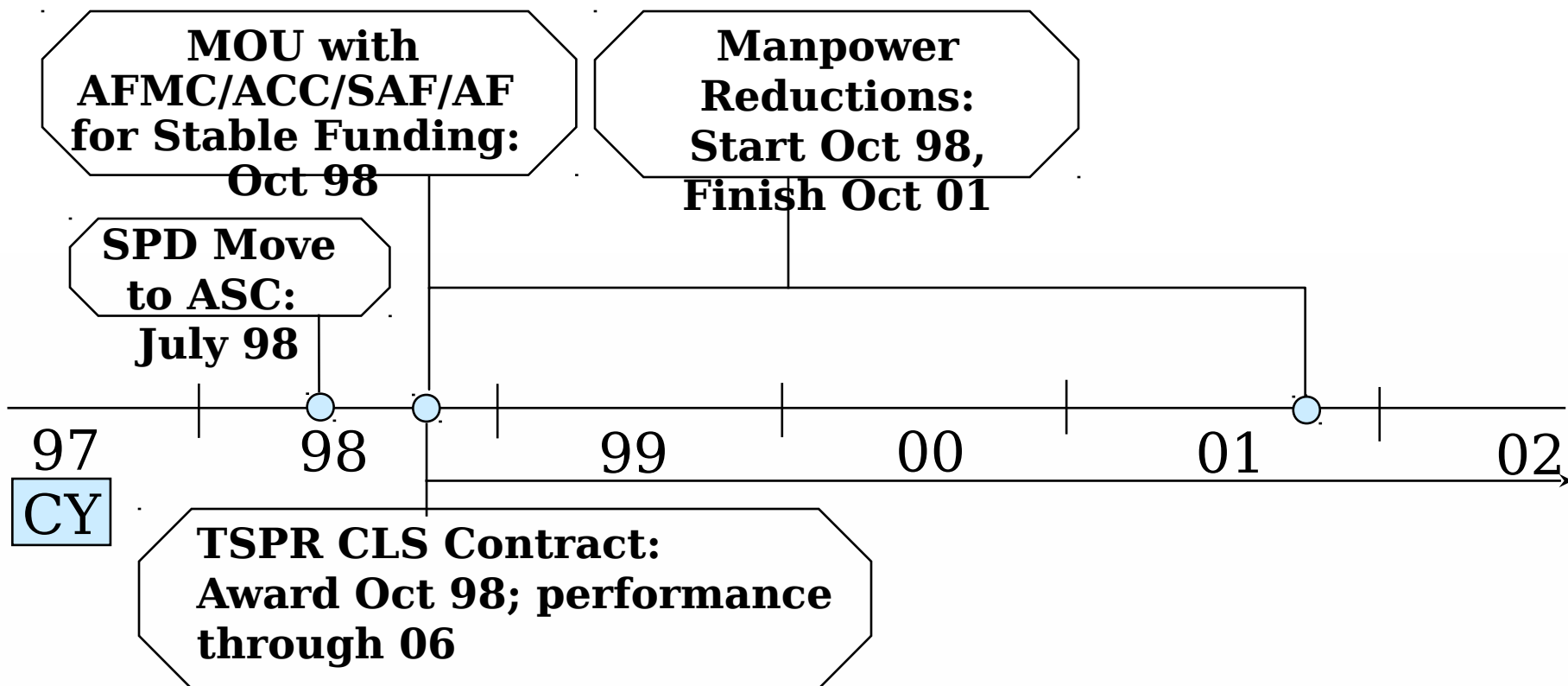


- \$30-50M savings in depot spares inventory
- \$4-7M savings in proposal preparation costs
- \$5-10M savings through long-term incentivized and stabilized subcontracts
- Additional savings through long-term capital investments for process improvements

***DEPOT SUPPORT FOR 49FW READINESS
REMAINS
AT CURRENT HIGH STANDARDS***



F-117 IMPLEMENTATION PLAN



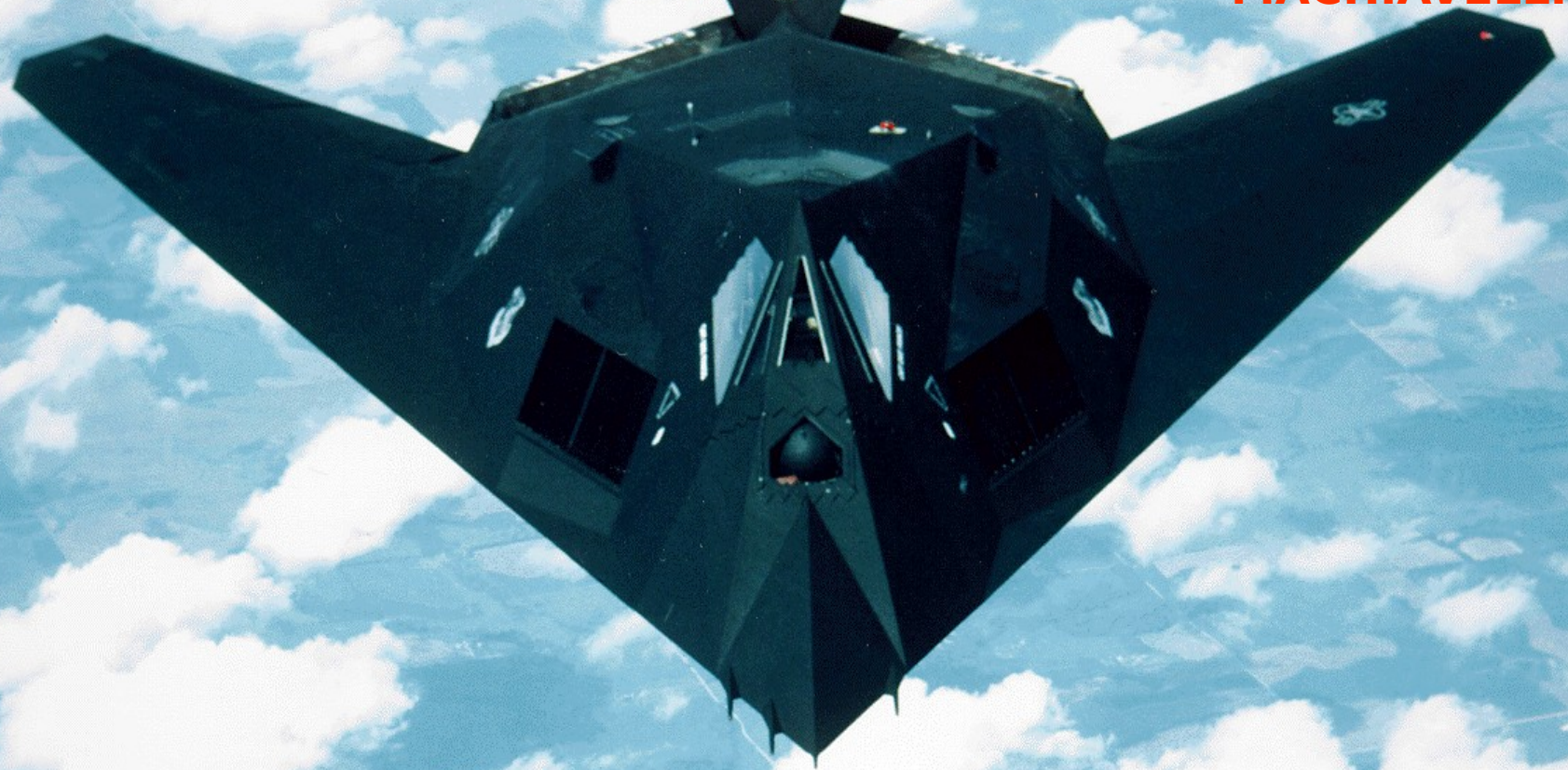


F-117 OBSERVATIONS

- **Stable Requirements and Funding Maximize Cost Reduction**
 - **MOU with AFMC/ACC/SAF/AF**
- **Innovative Contractor/Govt Teaming and Contractual Incentives**
 - **Potential Applicability to other Weapon Systems**
- **\$80M TSPR Savings + \$90M SPO Personnel Savings = \$170M O&S Savings**
 - **Plus 50/50 cost incentive share**

There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the perpetuators of the old order are enemies in all of those who profit by the old order and only lukewarm defenders in those who profit from the new order. This lukewarmness arising partly from the fear of their adversaries who have the laws in their favor, and partly from the indolence of mankind who do not truly believe in anything new until they have actually experienced it."

MACHIAVELLI, 1513



F-117 System Program Office

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